

Congress of the United States
CONGRESSIONAL OVERSIGHT PANEL

Opening Statement of Richard Neiman

Congressional Oversight Panel Hearing on GMAC Financial Services

February 25, 2010

Thank you and good morning. I am very pleased that the Panel is devoting its March Report and today's hearing to the subject of GMAC. Support for GMAC is an especially significant TARP initiative because GMAC is both a large bank holding company and a critical part of the American automobile industry. Therefore, this support uniquely embodies both large government interventions --- in the financial system and in the automobile industry.

As we know, GMAC was the only one of the 19 stress-tested bank holding companies that did not raise sufficient private capital. It therefore required additional government support in order to meet its SCAP-mandated capital buffer requirement. As a result of a series of TARP infusions, the U.S. Treasury and the U.S. taxpayer now own 56% of GMAC's equity and have over \$17 billion invested.

Importantly, GMAC was rescued not because it is "too big to fail" but because it is "too interconnected to fail" --- or to be more precise, too co-dependent with General Motors, Chrysler, and the American automobile industry. It was deemed that a failure of GMAC would have significantly undermined or fatally de-railed the stabilization of American auto manufacturers.

GMAC is the nearly-exclusive provider of inventory lending to GM and Chrysler dealers, essentially enabling their distribution system of cars and trucks to function. The importance of GMAC's role was actually increased last year when Chrysler Financial was absorbed by GMAC. In fact, GMAC is arguably even more interconnected today than it was before the financial crisis, given the Treasury's current investment and control position in GMAC and the auto companies.

During this hearing I will be most interested to learn from our distinguished witnesses how you are addressing the ongoing risk of inter-connectedness. I would like to hear about your near-term business plans for GMAC's existing lines of business, as well as your strategic vision over the longer term. I hope to learn about your specific plans to ensure GMAC's viability and to reduce the auto companies' and GMAC's co-dependence going forward.

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I recognize it is possible that the goal of reducing GMAC's co-dependence with the auto industry may at times run counter to the goal of increasing GMAC's profitability. I very much look forward to hearing how you will balance these considerations and manage the difficult strategic issues that confront you.